UG HEALTHCARE CORPORATION LIMITED

Company Registration No. 201424579Z

UNAUDITED SECOND QUARTER FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018

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*This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, SAC Capital Private Limited (the **"Sponsor"**), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the **"SGX-ST"**). The Sponsor has not independently verified the contents of this announcement.*

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PART I INFORMATION REQUIRED FOR QUARTERLY (1Q, 2Q & 3Q), HALF-YEAR (HY) AND FULL YEAR ANNOUNCEMENTS

1(a)(i) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME-SECOND QUARTER ("2QFY2019") AND 6 MONTHS ENDED 31 DECEMBER 2018 ("1HFY2019")

	2QFY2019 3 months ended			1HFY2019 6 months ended		
	31-Dec-18 S$'000	31-Dec-17 S$'000	Increase/ (Decrease) %	31-Dec-18 S$'000	31-Dec-17 S$'000	Increase/ (Decrease) %
Revenue	21,051	18,283	15.1	41,395	36,548	13.3
Cost of sales	(16,818)	(15,027)	11.9	(32,730)	(30,324)	7.9
Gross profit	4,233	3,256	30.0	8,665	6,224	39.2
Other income	938	537	74.7	1,314	998	31.7
	5,171	3,793	36.3	9,979	7,222	38.2
Marketing and distribution expenses	(616)	(399)	54.4	(1,120)	(739)	51.6
Administrative expenses	(2,738)	(2,190)	25.0	(5,304)	(4,175)	27.0
Other expenses	(1,152)	(27)	>100.0	(1,608)	(57)	>100.0
Finance costs	(408)	(134)	>100.0	(770)	(298)	>100.0
Share of profits from associates	96	138	(30.4)	331	321	3.1
Profit before tax	353	1,181	(70.1)	1,508	2,274	(33.7)
Income tax expense	(123)	(151)	(18.5)	(439)	(340)	29.1
Profit for the period	230	1,030	(77.7)	1,069	1,934	(44.7)
Other comprehensive loss						
Exchange difference on translating foreign operations	(687)	(296)	>100.0	(1,449)	(1,191)	21.7
Total comprehensive (loss)/ income for the period	(457)	734	N.M.	(380)	743	N.M.
Profit/(loss) attributable to:						
Owners of the Company	281	1,044	(73.1)	1,319	1,903	(30.7)
Non-controlling interests	(51)	(14)	>100.0	(250)	31	N.M.
	230	1,030	(77.7)	1,069	1,934	(44.7)
Total comprehensive income/(loss) attributable to:						
Owners of the Company	(388)	743	N.M.	15	721	(97.9)
Non-controlling interests	(69)	(9)	>100.0	(395)	22	N.M.
	(457)	734	N.M.	(380)	743	N.M.
Earnings per share (cents)						
Basic	0.15	0.54		0.68	0.99	
Diluted	0.15	0.54		0.68	0.99	

N.M. – not meaningful

1(a)(ii) NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2QFY2019 3 months ended			1HFY2019 6 months ended		
	31-Dec-18 S$'000	31-Dec-17 S$'000	Increase/ (Decrease) %	31-Dec-18 S$'000	31-Dec-17 S$'000	Increase/ (Decrease) %
Interest income	(15)	(11)	36.4	(21)	(20)	5.0
Fair value gain on financial derivative	(385)	-	N.M.	(385)	-	N.M.
Net foreign exchange loss/(gain) – unrealised	1,115	(488)	N.M.	1,530	(497)	N.M.
Net foreign exchange gain – realised	(568)	(51)	>100.0	(849)	(457)	85.8
Sundry income	30	15	100.0	(59)	(16)	>100.0
Interest expense on borrowings	408	134	>100.0	770	298	>100.0
Allowance for doubtful debts	1	-	N.M.	1	-	N.M.
Depreciation	379	359	5.6	751	704	6.7
Property, plant and equipment written off	335	192	74.5	436	210	>100.0
Amortisation of intangible assets	2	-	(50.0)	4	-	0
Loss on disposal of property, plant and equipment	-	-	N.M.	12	-	N.M.

N.M. – not meaningful

1(b)(i) STATEMENT OF FINANCIAL POSITION OF THE GROUP AND THE COMPANY

	Group		Company	
	31-Dec-18 S$'000	30-June-18 S$'000	31-Dec-18 S$'000	30-June-18 S$'000
ASSETS				
Non-current assets				
Subsidiaries	-	-	32,621	32,621
Associates	5,586	5,869	-	-
Property, plant and equipment	25,910	23,364	-	-
Intangible assets	309	251	-	-
Deferred tax assets	407	516	-	-
Total non-current assets	32,212	30,000	32,621	32,621
Current assets				
Inventories	28,596	22,130	-	-
Amount due from subsidiaries	-	-	18,080	18,063
Trade and other receivables	26,668	26,323	37	16
Derivative financial assets	-	-	-	-
Cash and bank balances	5,570	6,731	141	528
Total current assets	60,834	55,184	18,258	18,607
Total assets	93,046	85,184	50,879	51,228
EQUITY AND LIABILITIES				
Equity				
Share capital	37,613	37,126	37,473	37,126
Reserve	(36,768)	(35,354)	140	110
Retained earnings	41,063	40,185	13,163	13,859
Equity attributable to the owners of the Company	41,908	41,957	50,776	51,095
Non-controlling interests	(478)	(83)	-	-
Total equity	41,430	41,874	50,776	51,095
Non-current liabilities				
Deferred tax liabilities	2,042	2,092	-	-
Bank borrowings	5,628	5,478	-	-
Total non-current liabilities	7,670	7,570	-	-
Current liabilities				
Trade and other payables	15,605	13,625	103	133
Derivative financial liabilities	353	753		-
Bank borrowings	27,988	21,362	-	
Total current liabilities	43,946	35,740	103	133
Total liabilities	51,616	43,310	103	133
Total equity and liabilities	93,046	85,184	50,879	51,228

1(b)(ii) GROUP'S BORROWINGS AND DEBT SECURITIES

	31-December-18		30-June-18	
	Secured S$'000	Unsecured S$'000	Secured S$'000	Unsecured S$'000
Amount repayable in one year or less, or on demand	27,988	-	21,362	-
Amount repayable after one year	5,628	-	5,478	-
Total borrowings	33,616	-	26,840	-

Details of collaterals

As at 31 December 2018 and 30 June 2018, the Group's borrowings were secured by:

(i) fixed and floating charges over assets of a subsidiary;
(ii) debentures over certain production lines;
(iii) charge on certain leasehold land and building of a subsidiary;
(iv) fixed deposits pledged as collateral;
(v) corporate guarantees; and
(vi) personal guarantees provided by a director, shareholder of the Company and a third party.

1(c) CONSOLIDATED STATEMENT OF CASH FLOWS

	2QFY2019 3 Months Ended		1HFY2019 6 months ended	
	31-Dec-18 S$'000	31-Dec-17 S$'000	31-Dec-18 S$'000	31-Dec-17 S$'000
Operating activities				
Profit before income tax	353	1,181	1,508	2,274
Adjustments for:				
Amortisation of intangible assets	2	-	4	-
Property, plant and equipment written off	335	192	436	210
Loss on disposal of property, plant and equipment	-	-	12	-
Depreciation expense	379	359	751	704
Allowance for doubtful debts	1	-	1	-
Interest expense	408	134	770	298
Interest income	(15)	(11)	(21)	(20)
Share of profits from associates	(96)	(138)	(331)	(321)
Fair value loss on financial derivatives	(385)	-	(385)	-
Unrealised exchange differences	(519)	(638)	(630)	(318)
Operating cash flows before movements in working capital	463	1,079	2,115	2,827
Movements in working capital				
Inventories	(2,898)	(1,572)	(6,466)	(1,098)
Trade and other receivables	1,473	(745)	(250)	(31)
Trade and other payables	1,025	1,821	1,716	1,783
Cash from/(used in) operations	63	583	(2,885)	3,481
Interest paid	(408)	(134)	(770)	(298)
Income taxes paid	(203)	(224)	(191)	(551)
Net cash (used in)/from operating activities	(548)	225	(3,846)	2,632
Investing activities				
Acquisition of property, plant and equipment	(1,927)	(690)	(4,276)	(1,185)
Additional of intangible assets	(38)	-	(65)	-
Dividend received	332	285	332	285
(Placement)/Withdrawal of fixed deposits	(12)	(677)	2	(508)
Interest received	15	11	21	20
Net cash used in investing activities	(1,630)	(1,071)	(3,986)	(1,388)
Financing activities				
Drawdown of borrowings	21,366	8,383	39,602	20,912
Repayment of borrowings	(18,907)	(9,699)	(32,826)	(21,030)
Dividend paid	(103)	-	(103)	-
Net cash from/(used in) financing activities	2,356	(1,316)	6,673	(118)
Net increase/(decrease) in cash and cash equivalents	178	(2,162)	(1,159)	1,126
Cash and cash equivalents at beginning of financial period	5,379	6,656	6,731	3,538
Effects on currency translation on cash and cash equivalents	13	678	(2)	508
Cash and cash equivalents at end of financial period	5,570	5,172	5,570	5,172

1(d)(i) STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							
	Share capital S$'000	Currency translation reserves S$'000	Merger reserve S$'000	Share-based payment reserve S$'000	Retained earnings[1] S$'000	Total S$'000	Non-controlling interests S$'000	Total equity S$'000
Balance as at 1 July 2018	37,126	(9,524)	(25,940)	110	40,193	41,965	(83)	41,882
Profit for the year	-	-	-	-	1,319	1,319	(250)	1,069
Other comprehensive (loss)/income								
Exchange differences on translating foreign operations	-	(1,304)	-	-	-	(1,304)	(145)	(1,449)
Total comprehensive (loss)/income for the year	-	(1,304)	-	-	1,319	15	(395)	(380)
Share option	-	-	-	30	-	30	-	30
Issuance of shares, net of expenses directly attributable to issuance of new shares	347	-	-	-	-	347	-	347
Dividend	-	-	-	-	(450)	(450)	-	(450)
Balance as at 31 December 2018	37,473	(10,828)	(25,940)	140	41,063	41,908	(478)	41,430
Balance as at 1 July 2017	37,126	(9,902)	(25,940)	-	35,850	37,134	(75)	37,059
Profit for the year	-	-	-	-	1,903	1,903	31	1,934
Other comprehensive loss								
Exchange differences on translating foreign operations	-	(1,182)	-	-	-	(1,182)	(9)	(1,191)
Total comprehensive (loss)/income for the year	-	(1,182)	-	-	1,903	721	22	743
Share option	-	-	-	80	-	80	-	80
Balance as at 31 December 2017	37,126	(11,084)	(25,940)	80	37,753	37,935	(53)	37,882

[1] The beginning retained earnings as at 1 July 2018 of S$40,193 differs slightly from the retained earnings in the audited financial statements for the financial year ended 30 June 2018 of S$40,185 as a result of adjustment on tax expenses from subsidiaries.

1(d)(i) STATEMENT OF CHANGES IN EQUITY (continued)

	Company			
	Share capital	Share-based payment reserve	Retained earnings	Total
	S$'000	S$'000	S$'000	S$'000
Balance as at 1 July 2018	37,126	110	13,859	51,095
Loss for the year, representing total comprehensive loss for the year	-	-	(246)	(246)
Share option	-	30	-	30
Issuance of shares, net of expenses directly attributable to issuance of new shares	347	-	-	347
Dividend	-	-	(450)	(450)
Balance as at 31 December 2018	37,473	140	13,163	50,776
Balance as at 1 July 2017	37,126	-	16,877	54,003
Loss for the year, representing total comprehensive loss for the year	-	-	(966)	(966)
Share option	-	80	-	80
Balance as at 31 December 2017	37,126	80	15,911	53,117

1(d)(ii) SHARE CAPITAL

	Company	
	Number of ordinary shares	Issued and paid up share capital
		S$
Issued and paid up share capital as at 30 September 2018	191,460,054	37,125,570
Issuance of shares pursuant to the UG Healthcare Scrip Dividend Scheme	1,837,477	347,282
Issued and paid up share capital as at 31 December 2018	193,297,531	37,472,852

Other than the 1,570,000 share options granted to eligible employee on 28 August 2015 under the Unigloves Employee Share Option Scheme, the Company had no outstanding convertibles, treasury shares and subsidiary holdings as at 31 December 2018 and 31 December 2017 respectively.

1(d)(iii) TOTAL NUMBER OF ISSUED SHARES EXCLUDING TREASURY SHARES

	Company	
	31-December-18	30-June-18
Total number of issued shares excluding treasury shares	193,297,531	191,460,054

As at 31 December 2018 and 30 June 2018, the Company did not have treasury shares.

1(d)(iv) TREASURY SHARES

There were no sales, transfers, cancellation and / or use of treasury shares during and as at the end of the current financial period reported on. As at 31 December 2018, the Company did not hold any of its issued shares as treasury shares.

1(d)(v) SUBSIDIARY HOLDINGS

There were no sales, transfers, cancellation and / or use of subsidiary holdings as at the end of the current financial period reported on. As at 31 December 2018, the Company did not have any subsidiary holdings.

2 REVIEW OR AUDIT OF FIGURES PRESENTED

The figures presented have not been reviewed or audited by the Company's auditors.

3. AUDITORS' REPORT

Not applicable.

4. ACCOUNTING POLICIES AND METHODS OF COMPUTATION

Save as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial period as compared to its audited financial statements for the financial year ended 30 June 2018.

5. EFFECT OF CHANGES IN ACCOUNTING POLICIES AND METHODS OF COMPUTATION

The Group and the Company have applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial year as compared to the audited financial statements as at 30 June 2018, except for the adoption of the Financial Reporting Standard (FRS) and interpretation of FRS (INT FRS) which become effective for the financial year beginning on or after 1 January 2018. The adoption of these revised FRS and INT FRS does not result in changes to the Group's accounting policies and does not have material effect on the amounts reported for the current or prior financial years.

6. EARNINGS PER SHARE

	2QFY2018 3 months ended		1HFY2018 6 months ended	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Profit attributable to owners of the Company (S$'000)	281	1,044	1,319	1,903
Number of shares				
Weighted average number of ordinary shares for the purpose of				
Basic share	193,297,531	191,460,054	193,297,531	191,460,054
Effect of dilution from share options	274,036	274,036	274,036	274,036
Diluted share	193,571,567	191,734,090	193,571,567	191,734,090
Earnings per share (cents)				
Basic	0.15	0.54	0.68	0.99
Diluted	0.15	0.54	0.68	0.99

7. NET ASSETS VALUE ("NAV") PER SHARE

	Group		Company	
	31-December-18	30-June-18	31-December-18	30-June-18
NAV per share (cents)	21.43	21.87	26.27	26.69
Total NAV (including non-controlling interests) (S$'000)	41,430	41,874	50,776	51,095
Number of ordinary shares used in computation of NAV per share	193,297,531	191,460,054	193,297,531	191,460,054

8. REVIEW OF GROUP PERFORMANCE

(A) REVIEW OF GROUP RESULTS

Revenue
Revenue increased by approximately S$4.9 million or 13.3%, from S$36.5 million in the six months ended 31 December 2017 ("**1HFY2018**") to S$41.4 million in the six months ended 31 December 2018 ("**1HFY2019")**. This was mainly due to the increase in the volume of gloves produced and sold resulting from the commencement of new production lines and expansion of our distribution network.

For the second quarter ended 31 December 2018 ("**2QFY2019")**, revenue generated increased to S$21.1 million as compared to S$18.3 million for the second quarter ended 31 December 2017 ("**2QFY2018**"). The increase in revenue of approximately S$2.8 million or 15.1% was mainly due to the same reasons described above.

	Group		
	31-Dec-18	31-Dec-17	Increase/ (decrease)
	S$'000	S$'000	%
Europe	20,140	16,139	24.8
North America	8,133	7,567	7.5
South America	4,718	5,126	(8.0)
Africa	1,743	1,395	24.9
Asia	4,103	3,602	13.9
Malaysia	2,558	2,719	(5.9)
Total	41,395	36,548	13.3

Cost of Sales
Cost of sales increased by approximately S$2.4 million from S$30.3 million in 1HFY2018 to S$32.7 million in 1HFY2019, in tandem with the increase in revenue.

In 2QFY2019, cost of sales increased to S$16.8 million as compared to S$15.0 million in 2QFY2018, representing a 11.9% increase, mainly due to increase production of gloves sold.

Gross Profit and Gross Profit Margin
Gross profit increased by approximately S$2.5 million or 39.2% from S$6.2 million in 1HFY2018 to S$8.7 million in 1HFY2019. The Group's gross profit margin increased from 17.0% in 1HFY2018 to 20.9% in 1HFY2019. The increase was mainly due to increase in production efficiency resulting from increase in manufacturing capacity.

Gross profit increased approximately by S$0.9 million or 30.0% from S$3.3 million in 2QFY2018 to S$4.2 million in 2QFY2019. The Group's gross profit margin increased from 17.8% in 2QFY2018 to 20.1% in 2QFY2019 due to the same reason described above.

Other income
Other income increased by approximately S$0.3 million or 31.7% from S$1.0 million in 1HFY2018 to S$1.3 million in 1HFY2019. This was mainly due to increase in realised foreign exchange gain and fair value gain on financial derivatives.

Other income increased by approximately S$0.4 million or 74.7% from S$0.5 million in 2QFY2018 to S$0.9 million in 2QFY2019 was due to the same reason described above.

Marketing and Distribution Expenses
Marketing and distribution expenses increased by S$0.4 million or 51.6% from S$0.7 million in 1HFY2018 to S$1.1 million in 1HFY2019 as the Group continued to expand its distribution network in anticipation of full commercialisation of its new production facility.

Accordingly, marketing and distribution expenses increased by approximately S$0.2 million or 54.4% from S$0.4 million in 2QFY2018 to S$0.6 million in 2QFY2019.

Administrative Expenses
Administrative expenses increased by approximately S$1.1 million or 27.0% from S$4.2 million in 1HFY2018 to S$5.3 million in 1HFY2019. This was mainly due to the increase in staff costs resulting from hiring of key personnel across all departments. The expansion of the distribution network in Brazil, UK, China and Nigeria had also resulted in an increase of administrative expenses.

As aforementioned, administrative expenses increased by approximately S$0.5 million or 25.0% from S$2.2 million in 2QFY2018 to S$2.7 million in 2QFY2019 due to the reasons set out above.

Property, plant and equipment written off of S$0.2 million and S$0.1 million in 1HFY2019 and 2QFY2019 respectively was mainly to breakage of glove hand moulds.

Other Expenses
Other expenses increased by approximately S$1.5 million from S$57,000 in 1HFY2018 to S$1.6 million in 1HFY2019, mainly due to the unrealised loss from foreign exchange as Ringgit (which most of the Group's trade payables are denominated in) strengthened against the US dollar as of 31 December 2018 and unrealised loss from the depreciation of Great British Pound and Renminbi, being the functional currency of some of the Group's subsidiaries against US dollar.

Accordingly, other expenses increased by approximately S$1.1 million from S$27,000 in 2QFY2018 to S$1.2 million in 2QFY2019.

Finance Costs
Finance costs increased by approximately S$0.5 million from S$0.3 million in 1HFY2018 to S$0.8 million in 1HFY2019, due to the increase in interests arising from utilisation of trade facilities and term loan mainly for the construction of the new production facility.

As aforementioned, finance cost increased by approximately S$0.3 million from S$0.1 million in 2QFY2018 to S$0.4 million in 2QFY2019 due to the reasons set out above.

Share of Profits from Associates

The Group's share of profits from associates remained fairly stable at S$0.3 million in 1HFY2019 and 1HY2018.

Share of profits from associates decreased by S$40,000 from S$0.14 million in 2QFY2018 to S$0.1 million in 2QFY2019 due to the loss from the USA associated company.

(B) REVIEW OF GROUP'S FINANCIAL POSITION

As at 31 December 2018

Non-current Assets
Non-current assets increased by approximately S$2.2 million from S$30.0 million as at 30 June 2018 to S$32.2 million as at 31 December 2018, mainly due to acquisition of property, plant and equipment of S$2.5 million for the new production facility and partially offset by decrease in associates of approximately S$0.3 million as a result of dividend being paid by the German associated company and depreciation of Euro against SGD being the presentation currency.

Current Assets
Current assets increased by approximately S$5.6 million from S$55.2 million as at 30 June 2018 to S$60.8 million as at 31 December 2018, mainly due to:

(a) Increase in inventories of S$6.5 million or 29.2% from S$22.1 million as at 30 June 2018 to S$28.6 million as at 31 December 2018 as the Group stock up its products at its own overseas distribution companies; and

(b) Increase in trade and other receivables by S$0.4 million or 1.3% from S$26.3 million as at 30 June 2018 to S$26.7 million as at 30 December 2018 mainly due to increase in sales of gloves; partially offset by

(c) Decrease in cash and bank balances of S$1.1 million or 17.2% from S$6.7 million as at 30 June 2018 to S$5.6 million as at 31 December 2018.

Equity
Equity comprises share capital, merger reserve, retained earnings, foreign currency translation reserves and non-controlling interests. The total equity of the Group decreased by approximately S$0.5 million or 1.1% from S$41.9 million as at 30 June 2018 to S$41.4 million as at 31 December 2018.

Non-current Liabilities
Non-current liabilities increased by approximately S$0.1 million from S$7.6 million as at 30 June 2018 to S$7.7 million as at 31 December 2018, mainly due to drawdown of new term loan facilities, which was used for the Group's expansion of its production facility.

Current Liabilities
Current liabilities increased by S$8.2 million from S$35.7 million as at 30 June 2018 to S$43.9 million as at 30 December 2018, mainly due to:

(a) Increase of S$6.6 million or 31.0% in bank borrowings from S$21.4 million as at 30 June 2018 to S$28.0 million as at 30 December 2018 mainly due to increase utilisation of trade facilities and term loan for the construction of the new production facility; and

(b) Increase of S$2.0 million or 14.5% in trade and other payables from S$13.6 million as at 30 June 2018 to S$15.6 million as at 30 December 2018 mainly due to increase in purchases of raw materials; partially offset by

(c) Decrease in derivative financial liabilities by S$0.4 million or 53.1% from S$0.8 million as at 30 June 2018 to S$0.4 million as at 31 December 2018.

(C) REVIEW OF GROUP'S CASH FLOWS

In 1HFY2019, the net cash used in operations amounted to S$3.8 million taking into account the profit after tax of S$1.5 million, adjusted for working capital outflows of S$5.0 million. The net working capital increase was mainly due to increase in inventories of S$6.5 million and partially offset by increase in trade and other payables of S$1.7 million. The Group paid interest and income taxes of around S$0.8 million and S$0.2 million respectively.

Net cash used in investing activities amounted to S$4.0 million in 1HFY2019. This was due to the purchases of property, plant and equipment.

Net cash from financing activities amounted to S$6.7 million in 1HFY2019. This was due to a drawdown of borrowings from trade facilities and term loan, of S$39.6 million (mainly for the new production line), partially offset by the repayment of trade financing borrowings of S$32.8 million and issued cash dividend of S$0.1 million.

9. ACTUAL RESULTS VS PROFIT FORECAST

No forecast or prospect statement has been previously disclosed to shareholders.

10. COMMENTARY OF THE INDUSTRY TREND AND GROUP'S PROSPECT

Amidst the background of decelerating global economic growth arising from the trade dispute between the US and China, geopolitical uncertainties, fluctuations in raw material prices and currencies, as well as inflationary costs, the Group remains committed to managing and using its best endeavours to overcome the challenges in its business environment. Through this commitment, it aims to maximise the value from its integrated supply chain model, which comprises both upstream manufacturing and downstream distribution.

Upstream Manufacturing

Phase 1 of the new production facility is in full commercialisation since January 2019, increasing the Group's total capacity by an additional 500 million gloves per annum to 2.9 billion gloves per annum. The Group started partial commercialisation in October 2018 and had gone through a period of finetuning before it started on the commercialisation of the remaining capacity of Phase 1 in January 2019.

As the Group expands its production capacity, it had also scheduled major maintenance for some of its existing production lines at the same time. As a result of finetuning the new production lines, the Group experienced a delay in the full commercialisation of the new production block by this quarter.

The new production facility also has the potential to increase production capacity by another 300 million gloves per annum ("**Phase 2**"), potentially bringing the Group's total capacity to 3.2 billion gloves per annum. The Group will update shareholders on the development of Phase 2 in due course.

Downstream Distribution

The Group continues to drive marketing campaigns to promote its proprietary "Unigloves" brand of disposable gloves through its downstream distribution network. These campaigns will focus driving marketing and sales of its established distribution companies in its key markets of Europe, US, China, Nigeria and Brazil, where these distribution companies operate their own warehousing and logistics infrastructure.

The Group believes that the overall utilisation rate of its production capacity will improve incrementally as the new production lines stabilise to complement with the production schedules of the existing lines. The additional gloves produced by the enhanced production capacity will be marketed and sold through the Group's distribution companies under its proprietary "Unigloves" brand.

11. DETAILS OF DIVIDEND DECLARED OR RECOMMENDED

Not applicable.

12. NEGATIVE STATEMENT IF NO DIVIDEND DECLARED OR RECOMMENDED AND THE REASON(S) FOR THE DECISION

No dividend has been declared or recommended because the Group wants to conserve cash for expansion and growth.

13. GENERAL MANDATE FOR INTERESTED PERSON TRANSACTION ("IPT")

The Company has not obtained any IPT mandate from the shareholders.

14. RULE 720(1) OF THE CATALIST LISTING RULES

The Company hereby confirms that it has procured undertakings from all its Directors and Executive Officers in accordance with Rule 720(1) of the Catalist Listing Rules

15. RULE 705(5) OF THE CATALIST LISTING RULES

The Board of Directors of the Company hereby confirms, to the best of its knowledge, nothing has come to its attention which may render the unaudited financial results for the second quarter and six months financial period ended 31 December 2017 to be false or misleading in any material aspect.

By order of the Board
UG Healthcare Corporation Limited

LEE KECK KEONG
Executive Director and CEO

13 February 2019